

**Minutes of the
Marquette Food Co-op Board of Directors
October 18, 2016 Meeting**

Start time: Meeting was called to order by president Phil Britton at 6:07 p.m.

Roll call: Phil Britton, C. Noordyk, E. Wright, B. Krause, M. Augustyn, B. Jackson, R. Kochis, M. Potts, G. Sarka.

Absent: None.

Staff: GM Matt Gougeon, Mary Moe, Kat Eaton, Clayton Lesatz, Kelly Cantway, Sarah Monte

Public: None.

II. Preliminaries:

(a) Approval of Agenda & Additions: The Board reviewed the agenda. It was noted that the Board has implemented the Consent Agenda for this meeting. Approval of Minutes and Electronic Communications will be moved to the Consent Agenda moving forward. The Board discussed whether a Public Comment Period should be removed but did not remove any Public Comment periods.

Motion: To approve agenda with changes (*motion by G. Sarka, second R. Kochis*).

Action: Motion passed unanimously.

III. Public Comment Period: The public introduced themselves.

IV. Consent Agenda: The Store Report was removed from the consent agenda. Items on the consent agenda include the following:

(a) Approval of September Minutes without changes

(b) Electronic Communications

(c) L7 – Asset Protection (M. Gougeon)

Motion: To approve consent agenda as stands (*motion by R. Kochis, second M. Potts*).

Action: Motion passed unanimously.

IV. GM Monitoring

(a) Store Report (M. Gougeon): The GM reported that sales are strong. September was up over 9% and the first two weeks of October are up 10%. September equity dollars are up 61% and equity dollars in the first half of October are up 97%. The GM reported that the store is still in the process of transitioning credit card processing companies. Lantz has left the Outreach Department. Sarah Monte has stepped into the role, and Brigitte Derel is taking on marketing aspects of Outreach. Bea Steeland is now working as the member services person and is also assisting Kat with bookkeeping. Kat has done intensive labor in getting financial reports adjusted and corrected going back to June. Reports were previously done on an income tax basis but are now based on Generally Accepted Accounting Practices, which is a change that was suggested by the NCG. The GM is meeting with Paul Nardi to plan for a review of 2016 financials and a full audit for 2017. He attended the NCG Fall Meeting in St. Paul and reported that food remains in a deflationary period, competition means everyone is lowering prices and price perception, and stores are moving toward increasing wages. He attended seminars that addressed the importance of having fewer, better paid employees who are held accountable for results and rewarded for success, and a seminar on implementing a livable wage. He noted that this would

mean 1-1.5% increase in labor costs. GM commented on the Take Back the Co-op Movement and wants the Board to be informed. The Board commented that the MFC needs to be sure it is serving its members best interests and discussed what this means for the MFC. The Board discussed employee satisfaction and inquired about whether employees are able to voice any dissatisfaction or discomfort in their work. The GM noted that there is an annual employee satisfaction survey and employees are able to talk about concerns with their supervisors. The Board also discussed that while the MFC is seeing growth, other large co-ops are not. The GM also explained that due to the torrential rain the gray water system's storage tank was full. Typically in the case of the tank being filled water then drains through city drains, however the city's drain system was overwhelmed so there was drainage backup. Staff worked together to clean up the store.

V. Outreach Reports

(a, b) Outreach Report/UP Food Exchange Report (S. Monte): Monte commented that she is very open to what the Board would like to see for future outreach reports. Monte provided a printed report about ownership statistics, which the Board agreed was very informative. She reported that the 5/2 Plan has been very helpful in increasing membership. Through the month of October owner's that refer friends to join the MFC receive a \$5 gift card. So far there have been 6 referrals. Monte also reported that the Outreach Department is working with an intern through the Student Leader Fellowship Program. The MFC is working with Teaching Family Homes to do educational sessions. The MFC received a grant to do specialty cooking classes, a six week course with Lake Superior Youth Village, and a farmers' market demo. Leftover funds from the grant have been used to offer free classes during co-op month. These classes have brought new people to the MFC. The MFC worked with Cherry Capital Foods to implement Apple Crunch Day in the UP. Funds from a Sioux tribe grant helped fund some of the materials. Abbey Palmer who now works at the North Farm, wrote a grant to fund asset mapping for the entire UP for the farm to schools program. The MFC will mostly be providing contacts. Co-op Month has had events throughout the month, some of which were very successful, while others were less successful. Sampling has been really well received. An average of 85 people per week signed up for the weekly basket give-aways. The Board discussed whether the Outreach Report should be moved to the Consent Agenda since other departments do not report to the Board, but the Board also discussed that Outreach makes the MFC unique. The Board would like Outreach Reporting to remain the same for next month.

VI. Second Public Comment Period: Kat commented on how amazing the team was that worked hard Monday morning to make sure the store was ready for operations and that it reflected great cooperation and high morale. She commented that staff are invested in the MFC.

VII. Board Monitoring & Discussion

(a) Committee Reports:

(i) GM Evaluation (P. Britton, C. Noordyk, R. Kochis): Met to begin the evaluation process.

(ii) Finance Committee (B. Krause, P. Britton, G. Sarka, R. Kochis): Met prior to this meeting. GM provided financials through September 30. Reports back to June 30 have been recalculated to follow GAAP. There is a new Key Financial Indicators chart with new numbers due to the adjustment. The MFC turned a profit in September for the quarter, with 2.74% net profit. This was the first profitable quarter since opening the new

store. The Board discussed that this puts the store at or ahead of projections. The committee discussed the MEDC grant and the dispense account. The current ratio is continuing to deteriorate but is being calculated differently. The goal is to be at 1, but it is currently at .97. Labor is at 19% of sales, which is pretty good. The fourth quarter is not expected to be quite as great since it is typically a little slower than the third quarter. The committee will find out more about the past due balances at the next meeting. The committee discussed high inventory turnover and out of stocks. Debt to equity did improve due to share increases. The MFC is no longer able to sell preferred equity shares at this point.

1. BOD Budget Recommendation (Finance Committee):

The Finance Committee was charged with looking at the Board budget. The Board has spent \$9,290 this year. The Board does not typically take advantage of the full Board budget, however since the Board is encouraged to take advantage of education opportunities the Finance Committee does not think the Board should reduce the budget at this time.

(iii) Communications Committee (C. Noordyk, M. Augustyn, E. Wright, B. Jackson): Did not meet. Will meet soon to begin planning the Annual Meeting.

(iv) Elections & Nominations (C. Noordyk, M. Potts, G. Sarka, E. Wright): Did not meet, but will meet soon since elections are coming up.

(v) Board Education & Orientation (B. Jackson, M. Potts, M. Augustyn): Discussed the education component from the last meeting. General consensus that the Board would like having a better understanding of the MFC's financial status. The Board discussed reviewing projections that were set prior to expansion and assessing the MFC's current status in relation to projections. Board would like to set new projections for the MFC moving forward.

(b) G4 – Board Code of Conduct (B. Jackson): The policy was read and discussed. G4.4 was discussed. Meetings are open to owners and are recorded in the minutes, which are made available on the website. Information discussed during closed session is confidential. The Board is expected to speak as one voice and support the decisions of the Board. Attendance and excused absences were discussed.

(c) BOD Budget Recommendation (Finance Committee): Discussed during Finance Committee report.

(d) Begin 3 month opening for Board nominations: Board should begin considering potential candidates.

VIII. Third Public Comment: None.

IX. Closings

(a) November Assignments:

- i. Store Report (M. Gougeon)

- ii. Consent Agenda
 - i. Approval of October Minutes
 - ii. L5 – Financial Condition 3rd Quarter (M. Gougeon)
 - iii. L9 – GM Succession (M. Gougeon)
 - iv. G5 – Committee Principles (G. Sarka)
 - v. D1 – Unity of Control (C. Noordyk)
- iii. Outreach Reports (S. Monte)
- iv. Nomination Committee to meet with potential candidates
- v. GM Evaluation
- vi. NCG Audit Report

X. Motion to adjourn at 7:46 p.m. (*motion by C. Noordyk, second E. Wright*).
Action: Motion passed unanimously.

Next Board Meeting: November 15, 2016 at 6:00 p.m.

Emily Weddle
Board Recorder

Monitoring Report

Policy Type: Executive Limitations

Policy Title: L7- Asset Protection

Reporting Period: October 18, 2016

I report compliance with all parts of this policy.

Global: The General Manager will not cause or allow the cooperative's assets to be unprotected, inadequately maintained or unnecessarily risked.

Interpretation- The General Manager shall keep safe the assets of the co-op through mechanisms that prevent the unnecessary loss or depletion of those assets. The assets of this co-op include the physical plant of operations, employees, **inventory**, directors of the board, all generated records and data (electronic or otherwise), retained and operating capital, and the co-op's reputation in the community.

The GM will not:

L7.1: Fail to insure adequately against theft and casualty losses and against liability losses to board members, staff, and the cooperative itself.

Interpretation- The GM shall have in place sufficient insurance against loss of property, product, life and limb of staff and others in our organization, and to keep safe from liable all board members, individual staff, and the co-op corporate entity.

Data: All necessary and customary insurance is held by the MFC regarding property and people. Broadly, our umbrella of insurance includes general liability on employees and customers (\$1M), commercial liability on product and equipment (\$2M), liquor liability (\$1M), Directors and Officers liability (\$2M), Cyber Liability (\$1M), and Workmans Comp (\$500K per accident). *See data packet for insurance coverage summary provided by VAST Solutions.*

L7.2: Fail to protect data, intellectual property, information or files.

Interpretation- The GM will provide secure systems for off-site back-up of all electronic data and information, ensure that necessary security and encryption is adequate, and keep all physical proprietary or confidential information and files restricted.

Data: The MFC contracts with Compudyne, our region's largest provider of remote & on-site IT services, network consulting, hardware/software installation and high speed business Internet services. Our store has two servers to facilitate store operations and store data. One server for

our network and another for the Point Of Sale System. Compudyne automatically backs up our network data-base, including promotional data, to a cloud based server. All of our POS terminals, both servers, and networking equipment are connected to battery back-ups. In the case of a power outage the POS batteries will run for more than an hour giving us plenty of time to finish transactions and shut the system down under our control if necessary. See data packet for Compudyne Edge Service Executive Summary and service summary.

As of October 1, 2015 liability for protection against credit card data breaches moved from banks to business. We have gone to great length to comply with PCI requirements and are a local leader in cyber security for small business. Further, we have installed a chip reader for secure card transactions as well as secure wireless payments with Apple Pay, Android Pay, and other new payment technologies which protect our customers. We are currently transitioning to have all these secure payment methods available at all registers.

All proprietary and confidential paper files are kept in locked files. Although we have the ability to digitize and electronically store these files, in the last reporting period we have not had the capacity to do so. Paper documents are kept in locked storage. Financial records are accessible only to Kat Eaton, our finance manager, and the GM. Quickbooks is accessible to Kat Eaton, and the GM. We retain policies, procedures, and practices recommended in a cyber security audit in 2015 which are reviewed and updated annually. (See MFC Cyber Policy Manual)

Personnel files are locked and accessible to HR, the GM and any staff (their own file only, by appointment, and witnessed by HR or the GM).

L7.3: *Receive, process, or disburse funds under controls insufficient to meet the board appointed auditor's standard.*

Interpretation- All cash handling, accounts receivable, and accounts payable shall meet the standards of a board appointed third party inspection of procedures and "chain of possession" in handling all incoming and outgoing funds.

Data: Paul Nardi, of Makela, Toutant, Hill, and Nardi, completed an audit of our Bank Account Reconciliations, Cash Register Controls and Daily Balancing/Deposit, and Cash Disbursements in 2011. Through that audit we made improvements to our cash controls including "chain of possession" assurance, i.e. limiting the opportunity for cash to be received and disbursed through a single person, drawer count down witnesses, and security cameras. Mr. Nardi of the aforementioned firm has agreed to perform a Financial Review for the FY2016 and a full Financial Audit for FY2017. We meet with him on October 20th to review the particulars and begin the preparation for each activity.

L7.4 *Unnecessarily expose the cooperative, the board or the staff to claims of liability.*

Interpretation- The GM shall restrict the activities of the MFC to selling groceries and fulfilling the board appointed ends within the limitations set forth in board adopted policies.

Data: Monthly monitoring reports.

L7.5 *Subject plant and equipment to improper wear and tear or insufficient maintenance.*

Interpretation- The GM will prevent abuse and neglect of the store and equipment through regular maintenance of the store and all equipment according to manufacturer's specifications.

Data: Small repair and maintenance, maintaining adequate supply of cleaning materials, light bulbs, etc, are handled by our Facilities person, Doug Raish. He keeps a regular schedule of maintaining the store and grounds of the MFC. This includes changing or cleaning various filters in our gray water systems and HVAC., cleaning refrigeration evaporators and coils, and light repair. *(See Doug's list)* The store is cleaned by Spiffy Clean (Dan and Sherry Gaudreau) six nights per week.

L7.6 *Allow purchasing to be uncontrolled or subject to conflicts of interest.*

Interpretation- The GM shall control the non COGS purchases of the MFC to meet the constraints of store and department budgets and shall follow a purchase order procedure where any purchase is subject to the discretion of the GM.

Data: All non COGS purchases are limited by dept. budgets or qualified need. **Qualified need means a proposal from a department to either the Operations Manager or GM for equipment, supplies, or improvements to facilitate increased sales in that department.** Routine or regular purchases receive initial approval by managers and are reviewed by Operations Manager or the GM. When purchases are anticipated, purchase orders are filled out and given to the GM for verification of need, budget reference, and final signature approval (or not). All purchases are tracked through Quickbooks. *(See sample POs and Budget to Actuals)*

L7.7 *Invest or hold operating capital in insecure or non-investment grade instruments, or in non-interest bearing accounts except where necessary to facilitate ease in operational transactions.*

Interpretation- The GM shall hold operating capital in secure investment instruments and financial institutions.

Data: The MFC holds operating capital in Range Bank and mBank. *See data packet for bank statements.*

L7.8 *Endanger the cooperative's public image, credibility, or its ability to accomplish Ends.*

Interpretation- The GM shall protect and promote the public's trust in the MFC's image as a viable business, purveyor of wholesome foods, and community asset.

Data: Our continued growth in business and membership is evidence of promoting and protecting the public trust. We are successfully partnered with MSUE, MDARD, USDA, MEDC, City of Marquette, County of Marquette, Chocolay Township, Marquette Township, the Sault Tribe, local schools, local vendors, small farms, and many other agencies like U.P. state universities and the Center For Regional Food Systems, the Wallace foundation, and the Marquette Chamber of Commerce. We are integral to the Good Food Charter of Michigan and have representation within Michigan Food and Farming Systems. We have been selected by the Fair Food Network to be the only U.P. grocery store to run the Double Up Food Bucks program. Also- in the last reporting period we were awarded the first Annual Governors Award for Energy Excellence and we have recently been nominated for the state's Michigan Small Business Development Center's Michigan 50 Companies to Watch Award which is awarded to companies that innovate, have significant growth potential, and are committed to their communities. We are frequently in the news media for our programming and services as well as for our "collective" knowledge of food and related issues. See data packet for advertising samples and brief Education and Outreach report.